

**TARIFF E.S. (Cont'd)**  
**(Environmental Surcharge)**

**RATE (Cont'd)**

OE <sub>KP(C)</sub>	=	Monthly Pollution Control Operating Expenses for Mitchell.
RB <sub>IM(C)</sub>	=	Environmental Compliance Rate Base for Rockport.
ROR <sub>IM(C)</sub>	=	Annual Rate of Return on Rockport Rate Base; Annual Rate divided by 12 to restate to a Monthly Rate of Return.
OE <sub>IM(C)</sub>	=	Monthly Pollution Control Operating Expenses for Rockport.
AS	=	Net proceeds from the sale of Title IV and CSAPR SO <sub>2</sub> emission allowances, ERCs, and NOx emission allowances, reflected in the month of receipt.

“KP(C)” identifies components from Mitchell Units – Current Period, and “IM(C)” identifies components from the Indiana Michigan Power Company’s Rockport Units – Current Period.

The Environmental Compliance Rate Base for both Kentucky Power and Rockport reflects the current cost associated with the 1997 Plan, the 2003 Plan, the 2005 Plan, the 2007 Plan, the 2015 Plan, and the 2017 Plan. The Environmental Compliance Rate Base for Kentucky Power should also include a cash working capital allowance based on the 1/8 formula approach, due to the inclusion of Kentucky Power’s accounts receivable financing in the capital structure and weighted average cost of capital. The Operating Expenses for both Kentucky Power and Rockport reflects the current operating expenses associated with the 1997 Plan, the 2003 Plan, the 2005 Plan, the 2007 Plan, the 2015 Plan and the 2017 Plan.

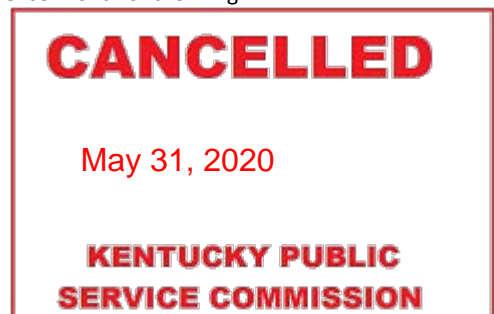
The Rate of Return for Kentucky Power is 9.70% rate of return on equity as authorized by the Commission in its Order Dated January 18, 2018 in Case No. 2017-00179.

The Rate of Return for Rockport should reflect the requirements of the Rockport Unit Power Agreement.

Net Proceeds from the sale of emission allowances and ERCs that reflect net gains will be a reduction to the Current Period Revenue Requirement, while net losses will be an increase.

The Current Period Revenue Requirement will reflect the balances and expenses as of the Expense Month of the filing.

(Cont'd on Sheet No. 29-4)



DATE OF ISSUE: February 7, 2018

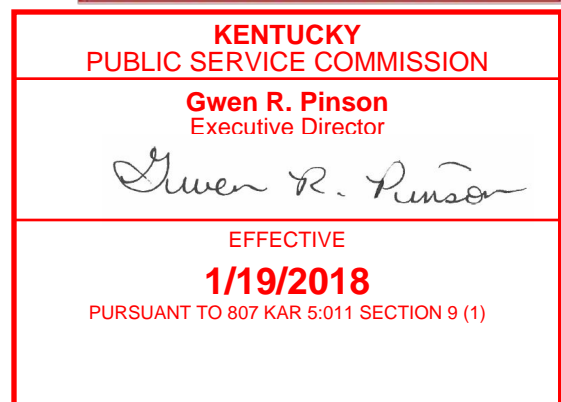
DATE EFFECTIVE: Service Rendered On And After January 19, 2018

ISSUED BY: /s/ Ranie K. Wohnhas

TITLE: Managing Director, Regulatory & Finance

By Authority Of an Order of the Public Service Commission

In Case No. 2017-00179 Dated January 18, 2018



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**TARIFF E.S. (Cont'd)**  
**(Environmental Surcharge)**

**RATE (Cont'd)**

The Company's share of costs associated with the following environmental equipment at the Rockport Plant:

- Continuous Emissions Monitors
- Air Emission Fees
- Costs Associated with the Rockport Unit Power Agreement
- Activated Carbon Injection
- Mercury Monitoring
- Precipitator Modifications
- Dry Sorbent Injection
- Coal Combustion Waste Landfill
- Low NOx burners, over Fire Air Landfill
- Selective Catalytic Reduction Technology at Unit 1

The Company's share of costs associated with the following environmental equipment at the Mitchell Plant:

- Mitchell Unit Nos 1 and 2 Water Injection, Low NO<sub>x</sub> burners, Low NO<sub>x</sub> burner Modification, SCR, FGD, Landfill, Coal Blending Facilities and SO<sub>3</sub> Mitigation
- Mitchell Plant Common CEMS, Replace Burner Barrier Valves and Gypsum Material Handling Facilities
- Air Emission Fees
- Precipitator Modifications and Upgrades
- Coal Combustion Waste Landfill
- Bottom Ash and Fly Ash Handling
- Mercury Monitoring (MATS)
- Dry Fly Ash Handling Conversion

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(Cont'd on Sheet No. 29-7)

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